DETOUR AREA SCHOOLS DETOUR, MICHIGAN JUNE 30, 2006

<u>DETOUR AREA SCHOOLS</u> <u>DETOUR, MICHIGAN</u>

ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2006

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

August 1, 2006

INDEPENDENT AUDITORS' REPORT

Board of Education DeTour Area Schools DeTour, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of DeTour Area Schools, DeTour, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the DeTour Area Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of DeTour Area Schools, DeTour, Michigan, as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2006, on our consideration of DeTour Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through ix and 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DeTour Area Schools, DeTour, Michigan basic financial statements. The combining and individual fund financial statements and other supplementary information found on pages 24 through 59 are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotte & Bishop, P.C

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

DeTour Area Schools, a K-12 school district located in Chippewa County, Michigan has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the DeTour Area Schools administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

A. Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds which include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

B. Government-wide Financial Statements

This report includes government-wide statements as required by GASB Statement Number 34. The government-wide financial statements are designed to provide a broad overview of the District's financial position. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The District's entire assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as all debt of the District.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

C. Summary of Net Assets

The following schedule summarizes the net assets at June 30:

Assets	20	06		2005	
Current Assets		\$	1,005,229		\$ 1,057,609
Non Current Assets	Φ 0.522.002			Ф. О. 412.221	
Capital Assets	\$ 8,523,082			\$ 8,412,221	
Less Accumulated Depreciation	(1,804,660)	•		(1,556,350)	-
Total Non Current Assets			6,718,422		6,855,871
Total Assets		\$	7,723,651		\$ 7,913,480
Liabilities					
Current Liabilities		\$	497,131		\$ 551,435
Non Current Liabilities			3,988,923		4,209,817
Total Liabilities			4,486,054		4,761,252
Net Assets					
Invested in Capital Assets					
Net of Related Debt			2,546,734		2,449,527
Restricted			104,904		98,318
Unrestricted			585,959		604,383
Total Net Assets			3,237,597		3,152,228
Total Liabilities and Net Assets		\$	7,723,651		\$ 7,913,480

D. Analysis of Financial Position

During the fiscal year ended June 30, 2006, the District's net assets increased by \$85,369. A few of the more significant factors affecting net assets during the year are discussed below:

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2006, \$248,310 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2006, \$110,861 of expenditures was capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

3. Payment of Long-Term Liabilities

During the year ending June 30, 2006, the District reduced its long-term liabilities by \$220,894.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

E. Results of Operations

For the years ended June 30, the results of operations, on a District-wide basis, were:

	200	06	2005		
	Amount	% of Total	Amount	% of Total	
General Revenues				_	
Property Taxes	\$1,990,018	63.03%	\$ 1,950,456	62.71%	
Investment	18,931	0.60%	13,488	0.43%	
State Sources	773,597	24.50%	680,962	21.89%	
Other	48,557	1.54%	73,435	2.37%	
Total General Revenues	2,831,103	89.67%	2,718,341	87.40%	
Program Revenues					
Charges for Services	88,692	2.81%	77,567	2.49%	
Operating Grants	237,651	7.52%	314,426	10.11%	
Total Program Revenues	326,343	10.33%	391,993	12.60%	
Total Revenues	3,157,446	100.00%	3,110,334	100.00%	
Expenses					
Instruction	1,325,366	43.14%	1,223,458	41.49%	
Supporting Services	965,480	31.43%	915,501	31.04%	
Food Service Activities	159,445	5.19%	164,284	5.57%	
Athletic Activities	69,983	2.28%	69,150	2.34%	
Community Services	32,766	1.07%	32,240	1.09%	
Capital Outlay	889	0.03%	1,165	0.05%	
Interest on Long-term Debt	204,862	6.67%	253,978	8.61%	
Other Transactions	64,976	2.12%	55,527	1.88%	
Unallocated Depreciation	248,310	8.07%	233,648	7.93%	
Total Expenses	3,072,077	100.00%	2,948,951	100.00%	
Change in Net Assets	\$ 85,369		\$ 161,383	=	

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

F. Analysis of Significant Revenues and Expenses

Significant revenues and expenses are discussed in the segments below:

1. Property Taxes

The District levies 18 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2005-2006 fiscal year, the District levied \$1,575,669 in non-homestead property taxes. The amount of unpaid property taxes at June 30, 2006, was \$8,014.

The following table summarizes the non-homestead property tax levies for operations for the past three years:

	Non-Homestead
Fiscal Year	Tax Levy
2005-2006	1,575,669
2004-2005	1,469,163
2003-2004	1,374,846

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2005-2006 fiscal year, the District received \$8,966 per student FTE.

3. Student Enrollment

The following schedule summarizes the blended student enrollment for the past three fiscal years:

	Blended
Fiscal Year	Student FTE
2005-2006	233
2004-2005	219
2003-2004	237

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2006, federal, state, and other grants accounted for \$237,651.

G. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

				ARIANCE IH FINAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	OVER JNDER)
	BODGET	BUDGET	HEIGHE	 JIIDLII)
Total Revenues	\$2,300,331	\$2,571,351	\$2,572,174	\$ 823
<u>EXPENDITURES</u>				
Instruction	\$1,369,237	\$1,370,045	\$1,352,466	\$ (17,579)
Supporting Services	1,118,202	1,086,471	1,053,913	(32,558)
Community Services	62,770	64,772	62,681	(2,091)
Total Expenditures	\$2,550,209	\$2,521,288	\$2,469,060	\$ (52,228)

H. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2006, the District has \$8,523,082 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of \$110,861 over the prior fiscal year. Depreciation expense for the year amounted to \$248,310, bringing the accumulated depreciation to \$1,804,660 as of June 30, 2006.

2. Long-Term Debt

At June 30, 2006, the District had \$4,404,178 in bonded debt outstanding including Durant Bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

Also, the District had \$18,855 of accrued expenses at June 30, 2006, which was made up of accumulated sick pay liability. These long-term accrued expenses were reduced by \$4,618 during the year due to payments and changes in estimated sick pay liability.

I. Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

With the current economic condition in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2006-2007 fiscal year. This will pose a challenge to the District to maintain structural balance while continuing with its educational programming.

Additionally, the District received a \$198,822 grant for the year ended June 30, 2006 from the State due to its geographic isolation. Uncertainty exists as to the future amount of geographic isolation funding. Any reduction in this funding source will have a significant impact on the District.

The district continues to face significant increases in rates for health insurance. Additionally, the retirement rate is expected to increase for 2006-2007.

The State of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Educational Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Left Behind Act, adequate yearly progress of students becomes very important. This increase in assessments of a student will all need to be funded by the district.

On the positive side, DeTour Area Schools is a leader in the state with technology and professional development through the use of grants and has received notification of continuation of grants.

J. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact DeTour Area Schools, PO Box 429, DeTour Village, Michigan 49725.

STATEMENT OF NET ASSETS

JUNE 30, 2006

ASSETS

CURRENT ASSETS	
Cash	\$ 522,563
Taxes Receivable	9,276
Accounts Receivable	274
Due from Other Governments	140,864
Investments	328,032
Inventory	4,135
Prepaid Expense	85
Total Current Assets	1,005,229
NON CURRENT ASSETS	
Capital Assets	8,523,082
Less Accumulated Depreciation	(1,804,660)
Total Non Current Assets	6,718,422
TOTAL ASSETS	\$ 7,723,651
LIABILITIES AND NET ASSETS	
LIABILITIES	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 50,991
Accrued Expenses	33,443
Accrued Interest Payable	30,214
Salaries Payable	151,085
Deferred Revenue	600
Current Portion of Non Current Liabilities	230,798
Total Current Liabilities	497,131
NON CURRENT LIABILITIES	
Bonds Payable (Net of Deferred Charges)	4,200,866
Compensated Absences	18,855
Less Current Portion of Non Current Liabilities	(230,798)
Total Non Current Liabilities	3,988,923
Total Liabilities	4,486,054
NET ASSETS	
Invested in Capital Assets Net of Related Debt	2,546,734
Restricted for Debt Service	104,904
Unrestricted	585,959
Total Net Assets	3,237,597
TOTAL LIABILITIES AND NET ASSETS The notes to the financial statements are an integral part of this statement.	\$ 7,723,651

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

		P	ROGRAM RI	EVEI	NUES	A NET	ERNMENTAL CTIVITIES (EXPENSE) VENUE AND	
	_		RGES FOR		ERATING	CHANGES IN		
FUNCTIONS/PROGRAMS	EXPENSES		ERVICES		GRANTS		ET ASSETS	
GOVERNMENTAL ACTIVITIES								
Instruction								
Basic Programs	\$1,199,436	\$	0	\$	56,056	\$	(1,143,380)	
Added Needs	125,930		0		92,825		(33,105)	
Supporting Services								
Pupil	4,662		0		0		(4,662)	
Instructional Staff	57,281		0		29,017		(28,264)	
General Administration	166,501		0		0		(166,501)	
School Administration	162,865		0		0		(162,865)	
Business	77,993		0		0		(77,993)	
Operation and Maintenance of Plant	208,705		2,400		0		(206,305)	
Pupil Transportation Services	243,264		0		0		(243,264)	
Supporting Services Technology	38,241		0		0		(38,241)	
Pupil Activities	5,968		0		0		(5,968)	
Food Service Activities	159,445		65,330		59,753		(34,362)	
Athletic Activities	69,983		20,962		0		(49,021)	
Community Services	32,766		0		0		(32,766)	
Capital Outlay	889		0		0		(889)	
Interest on Long Term Debt	204,862		0		0		(204,862)	
Other Transactions	64,976		0		0		(64,976)	
Unallocated Depreciation	248,310		0		0		(248,310)	
Total Governmental Activities	\$3,072,077	\$	88,692	\$	237,651		(2,745,734)	
GENERAL REVENUES Property Taxes -General Purposes Property Taxes -Debt Service Investment Earnings State Sources Other							1,575,669 414,349 18,931 773,597 48,557	
Total General Revenues							2,831,103	
Change in Net Assets							85,369	
NET ASSETS - Beginning of Year							3,152,228	
NET ASSETS - End of Year						\$	3,237,597	

The notes to the financial statements are an integral part of this statement.

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2006

		ENERAL FUND	GENE CAPI PROJI FUI	TAL ECTS	NO GOVI	OTHER ONMAJOR ERNMENTAL FUNDS	GOV	TOTAL /ERNMENTAL FUNDS
<u>ASSETS</u>								
Cash	\$ 3	378,334	\$	0	\$	144,229	\$	522,563
Taxes Receivable		8,014		0		1,262		9,276
Accounts Receivable		274		0		0		274
Due from Other Governments		139,804		0		1,060		140,864
Due from Other Funds		5,138		0		0		5,138
Investments	2	226,229	101	,803		0		328,032
Inventory		0		0		4,135		4,135
Prepaid Expenditures		85		0		0		85
TOTAL ASSETS	\$ '	757,878	\$101	,803	\$	150,686	\$	1,010,367
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts Payable	\$	50,980	\$	0	\$	11	\$	50,991
Accrued Expenses		33,443		0		0		33,443
Salaries Payable		151,085		0		0		151,085
Due to Other Funds		0		0		5,138		5,138
Deferred Revenue		600		0		0		600
Total Liabilities		236,108		0		5,149		241,257
FUND BALANCES								
Reserved for Inventory								
and Prepaid Expenditures		85		0		4,135		4,220
Reserved for Debt Service		0		0		135,118		135,118
Unreserved, Designated For								
Food Services		0		0		5,744		5,744
Athletic Activities		0		0		540		540
Nature Area Study Center		13,211		0		0		13,211
Bus Purchase		50,000		0		0		50,000
Building Maintenance		95,000		0		0		95,000
Sick Days		19,604		0		0		19,604
Unreserved, Undesignated		343,870	101	,803		0		445,673
Total Fund Balances		521,770	101	,803		145,537		769,110
TOTAL LIABILITIES								
AND FUND BALANCES	\$ '	757,878	\$101	,803	\$	150,686	\$	1,010,367

The notes to the financial statements are an integral part of this statement.

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2006

Total Governmental Fund Balances		\$	769,110
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds			
The cost of the capital assets is	8,523,082		
Accumulated depreciation is	(1,804,660)		6,718,422
Long term liabilities are not due and payable in the current period and are not reported in the funds			
Bonds Payable	(4,404,178)		
Compensated Absences	(18,855)		
Deferred Charges net of Amortization	203,312	. ((4,219,721)
Accrued interest is not included as a liability in government funds, it is recorded			
when paid			(30,214)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$	3,237,597

$\frac{\text{STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES}}{\text{GOVERNMENTAL FUNDS}}$

YEAR ENDED JUNE 30, 2006

			OTHER	
		GENERAL	NONMAJOR	TOTAL
	GENERAL	CAPITAL	GOVERNMENTAL	GOVERNMENTAL
	FUND	PROJECTS	FUNDS	FUNDS
<u>REVENUES</u>				
Local Sources	\$ 1,621,363	\$ 3,194	\$ 505,067	\$ 2,129,624
Intermediate Sources	0	0	12,235	12,235
State Sources	800,543	0	14,971	815,514
Federal Sources	137,186	0	49,805	186,991
Other Transactions	13,082 2,572,174	2 104	592,078	13,082
Total Revenues	2,5/2,1/4	3,194	582,078	3,157,446
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	1,225,916	0	0	1,225,916
Added Needs	126,550	0	0	126,550
Supporting Services				4 < 5 4
Pupil	4,654	0	0	4,654
Instructional Staff	63,836	0	0	63,836
General Administration	166,501	0	0	166,501
School Administration	161,611	0	0	161,611
Business	84,770	0	0	84,770
Operation and Maintenance of Plant	223,939	0	0	223,939
Pupil Transportation Services	299,913	0	0	299,913
Support Services Technology	42,721	0	0	42,721
Pupil Activities Food Service Activities	5,968	0	•	5,968
	0	0	159,391 69,983	159,391 69,983
Athletic Activities Community Services	$0 \\ 0$	$0 \\ 0$	32,766	32,766
Capital Outlay	0	0	32,700 889	32,700 889
Debt Service	U	U	009	009
Principal	0	0	220,000	220,000
Interest	0	0	190,614	190,614
Other Transactions	62,681	0	2,295	64,976
Total Expenditures	2,469,060	0	675,938	3,144,998
•				-,-,,,,,,
Excess (Deficiency) of Revenues Over (Under) Expenditures	103,114	3,194	(93,860)	12 449
* * *	105,114	3,194	(93,800)	12,448
OTHER FINANCING SOURCES (USES)			101.00	***
Transfers In	59,233	57,000	181,306	297,539
Transfers Out	(157,391)	(59,233)	(80,915)	(297,539)
Total Other Financing Sources (Uses)	(98,158)	(2,233)	100,391	0
Net Change in Fund Balance	4,956	961	6,531	12,448
<u>FUND BALANCE</u> - Beginning of Year	516,814	100,842	139,006	756,662
FUND BALANCE - End of Year	\$ 521,770	\$ 101,803	\$ 145,537	\$ 769,110

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

Net change in Fund Balances Total Governmental Funds

\$ 12,448

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense (248,310)
Assets Capitalized 110,861 (137,449)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year 30,488 Accrued Interest Payable - End of Year (30,214)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available.

The net changes in other long-term liabilities are:

Amortization of bond is	suance cost on refunding	(2,541)	
Amortization of bond de	eferred loss on refunding	(11,981)	
Repayment of bond prin	icipal	220,000	205,478

Employees Early Retirement and Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	23,473
Compensated Absences - End of Year	(18,855)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 85 360

$\frac{\text{STATEMENT OF FIDUCIARY NET ASSETS}}{\text{FIDUCIARY FUNDS}}$

JUNE 30, 2006

	AGENCY FUNDS		
<u>ASSETS</u> Cash	\$	53,921	
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES Due to Groups and Organizations	\$	53,921	
NET ASSETS		0	
TOTAL LIABILITIES AND NET ASSETS	\$	53,921	

DETOUR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the DeTour Area Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District is located in Chippewa County with its administrative offices located in DeTour, Michigan. The District operates under an elected 7-member board of education and provides services to its 233 students in elementary, middle school, high school and special education instruction, guidance, health, transportation, food service, athletics and recreation. As required by generally accepted accounting principles, these financial statements represent the School District and its component units, entities for which the School is considered to be financially accountable. There are no component units to be included in the District's reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain

DETOUR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following **major** governmental funds:

The *GENERAL FUND* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The GENERAL CAPITAL PROJECTS FUND accounts for the resources accumulated and payments made for major capital investments.

Other Non-Major Funds

The SPECIAL REVENUE FUNDS account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, athletic activities and library activities in the special revenue funds.

The CAPITAL PROJECTS FUNDS are used to account for financial resources to be used for the acquisition or construction of major capital facilities

The *DEBT SERVICE FUNDS* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary Funds

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others.

DETOUR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

The AGENCY FUND is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement* focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on pupil membership counts taken in February and September of 2005.

For fiscal year ended June 30, 2006, the per pupil foundation allowance was \$8,966 for DeTour Area Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is

DETOUR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30th is reported as accounts receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Assets, Liabilities and Equity

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The School's Investment Policy authorizes the School District to invest in funds as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States, or obligations of the state.
- (b) Certificates of deposit issued by financial institutions which means a state or nationally-chartered bank or a state or federally-chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office in Michigan under Michigan and Federal laws.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States Government.
- (e) United States government or federal agency obligation repurchase agreements.
- (f) Bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- (g) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

DETOUR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS <u>JUNE 30, 2006</u>

(h) Investment pools, as authorized by the Surplus Funds Investment Poll Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

The above Investment Policy is in compliance with State Statutes.

The School's deposits and investments are held separately by several of the School District's funds.

2. Interfund Receivables/Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are not material.

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund – Non-homestead	18.0000
Debt Service Fund – Homestead and non-homestead	2.8900

In March 1995, the voters in the State of Michigan approved Proposition A, a change in the state constitution. This new school finance legislation imposes a state wide 6 mill tax levy on all property owners. In addition, an 18 mill levy, (locally voted) can be imposed on all non-homestead property in the district. The state wide homestead portion of property taxes is sent directly to the state. The local non-homestead portion is sent to the district and equals the local non-homestead taxable value multiplied by 18 mills. The state reallocates the homestead portion of the taxes based on a foundation grant per student less the local portion collected.

The county in which the School District is located has a tax revolving fund which allows the county to pay off the various taxing units for their share of the current year real property taxes returned delinquent. At June 30, 2005, and June 30, 2006, the School District had taxes receivable for unpaid personal property taxes.

DETOUR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

4. Inventory and Prepaid Expenditures

Inventory is valued at cost (first-in, first-out). The food service inventory consists of U.S.D.A. commodities and other food products held for consumption. Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Books	7 years
Buildings and additions	50 years
Furniture and other equipment	5 - 15 years
Vehicles	6 - 8 years

The District's capitalization policy is to capitalize individual amounts exceeding \$1,000.

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits and vacation. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Deferred Revenue

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurring of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

8. Fund Equity

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the

DETOUR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS <u>JUNE 30, 2006</u>

amount that has been legally identified for specific purposes or indicates that a component of net current assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

9. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, debt retirement and capital projects funds. All annual appropriations lapse at fiscal year-end.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) lapse at year-end and do not constitute expenditures or liabilities because the commitments will generally be reappropriated and honored during the subsequent year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- 2. A public hearing is conducted during June to obtain taxpayer comments.
- 3. Prior to June 30, the budgets are legally enacted through passage of a resolution.
- 4. All transfers of budget amounts and any amendments to the formal appropriation act are approved by the Board of Education.
- 5. The superintendent is charged with general supervision of the budgets.
- 6. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- 7. Budgeted amounts are as originally adopted on June 13, 2005, or as amended by the School Board of Education on January 9, 2006 and June 12, 2006.

DETOUR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments – Credit Risk

The District's deposits and investments are all on deposit with Banks and Michigan School District Liquid Asset Fund Plus.

The District's Investment Policy does not address investment rate risk, foreign currency risk, credit risk, concentration of credit risk or custodial credit risk.

Deposits

At year-end, the carrying amount of the District's deposits was \$576,484. The bank balance was \$660,241 of which \$333,856 was covered by federal depository insurance and \$326,385 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name.

Investments not subject to categorization:

Investment Trust Funds \$ 328,032

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2006, the fair value of the District's investments is the same as the value of the pool shares.

DETOUR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

Balance sheet classifications:

	Statement of Net Assets	Statement of Fiduciary Net Assets	Total
Cash Investments	\$522,563 328,032	\$ 53,921 0	\$576,484 328,032
	_\$850,595	\$ 53,921	\$904,516

B. Interfund Receivables, Payables and Transfers

Interfund receivables and payables as shown in the individual fund financial statements at June 30, 2006, were as follows:

	IN	TERFUND	INTI	ERFUND
	REC	CEIVABLES	PA	YABLES
<u>FUND</u>				
General Fund	\$	5,138	\$	0
School Service - Food Service		0		5,138
	\$	5,138	\$	5,138

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	Transfer In:								
		General							
	Gen	eral	Capi	tal Projects	N	Ionmajor			
Transfer Out:	Fund		Fund Fund		Go	vernmental	Total		
							_		
General Fund	\$	0	\$	57,000	\$	100,391	\$157,391		
General Capital Projects Fund	59	,233		0		0	59,233		
Nonmajor Governmental Funds		0		0		80,915	80,915		
							_		
Total	\$ 59	,233	\$	57,000	\$	181,306	\$297,539		
				_					

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

DETOUR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

C. Lease Information

During the year, the school leased various equipment. The rent expense was \$491 for the year ending June 30, 2006. The rent expense was all minimum rental payments with no contingent rentals being paid.

D. Capital Assets

A summary of changes in the District's capital assets follows:

		Balance				Balance		
	<u>Jul</u>	y 1, 2005	Addi	tions	Dele	etions	June	e 30, 2006
Assets not being depreciated -								
Land	\$	54,937	\$	0	\$	0	\$	54,937
Other Capital Assets:								
Buildings and Additions	6	5,502,369		5,149		0	6	5,508,518
Furniture and Equipment		,532,624	20	0,549		0		,553,173
Textbooks and Library Books		74,946		6,870		0		101,816
Transportation Equipment		247,345	5′	57,293		0	304,638	
Subtotal	8	3,357,284	110	0,861		0	8	3,468,145
Less accumulated depreciation for:								
Buildings and Additions		805,121	119	9,512		0		924,633
Furniture and Equipment		537,547	9	5,002		0		633,549
Textbooks and Library Books		59,563	,	7,532		0		67,095
Transportation Equipment		154,119	2:	5,264		0		179,383
Total Accumulated Depreciation	1	,556,350	24	8,310		0	1	,804,660
Net Other Capital Assets	6	5,800,934	(13'	7,449)		0	(5,663,485
Net Capital assets	\$ 6	5,855,871	\$(13	7,449)	\$	0	\$ 6	5,718,422

Depreciation for the fiscal year ended June 30, 2006 amounted to \$248,310. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

E. Receivables

Receivables as of year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

DETOUR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

			Non- Major		
		Total			
Receivables					
Due from Other Governments	\$	139,804	\$ 1,060	\$	140,864
Taxes		8,014	1,262		9,276
Total	\$	147,818	\$ 2,322	\$	150,140

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	
Grants Received, But Not Yet Utilized	\$ 0	\$	600

F. Long-Term Debt

The following is a summary of the Long-Term Debt transactions for the School District for the year ended June 30, 2006.

		LIQ	SELF- UIDATING		
	BONDS SERIAL A		CCRUED PENSES	TOTAL	
Long-Term Debt at July 1, 2005	\$4,595,000	\$	29,178	\$ 23,473	\$4,647,651
Increase (Decrease) in Accrued Expenses Bonds Retired	0 (220,000)		0 0	(4,618) 0	(4,618) (220,000)
Long-Term Debt at June 30, 2006	\$4,375,000	\$	29,178	\$ 18,855	\$4,423,033
Amount Due Within One Year	\$ 230,000	\$	798	\$ 0	\$ 230,798

DETOUR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

At June 30, 2006 the School's Long-Term Debt consisted of the following:

Bonds Payable	
General Obligation Serial Bonds	
1999 School Building and Site Bonds Due in Annual	
installments of \$210,000 to \$235,000, through May 1, 2008,	
Interest at 5.00% to 5.30%	\$ 665,000
General Obligation Serial Bonds	
2005 Refunding Bonds Due in Annual installments	
of \$20,000 to \$400,000, through May 1, 2020,	
Interest at 3.00% to 5.50%	3,710,000
Self-Liquidating Serial Bonds	
1998 Durant Settlement Bonds due in annual principal	
payments of \$798 to \$14,043 through May 15, 2013,	
Interest at 3.850%, funding for this payment to be	
provided by the State of Michigan – State Aid restricted	29,178
	,,,
Accrued Expenses Accrued Expenses	10 055
Accumulated Sick Pay Due at Retirement of Employees	 18,855
TOTAL LONG-TERM DEBT	4,423,033
Less current portion of long-term debt	 (230,798)
NET LONG-TERM DEBT	\$ 4,192,235

The annual requirements to amortize all debt outstanding, except accumulated sick pay, as of June 30, 2006, including interest payments of \$1,442,035 are as follows:

YEAR ENDING

I LI III LI IDI I G			
JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2007	\$ 230,798	\$ 183,695	\$ 414,493
2008	259,043	170,650	429,693
2009	262,655	157,636	420,291
2010	272,757	144,268	417,025
2011	282,863	134,036	416,899
2012-2016	1,586,062	495,574	2,081,636
2017-2020	1,510,000	156,176	1,666,176
			_
	\$4,404,178	\$1,442,035	\$5,846,213
		·	

The accumulated sick pay is not included in the above schedule of annual requirements because it is not known which years the employees will retire and receive a payment for the accumulated sick pay.

DETOUR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

NOTE 4 – OTHER INFORMATION

A. Employee Retirement System

<u>Plan Description</u> - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPSERS. The MPSERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

<u>Funding Policy</u> - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the first quarter of the year ended June 30, 2006, was 14.87%, and for the last three quarters it was 16.34%. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2006, 2005 and 2004 were \$212,075, \$185,683 and \$153,864 respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

DETOUR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

B. Single Audit Report

The School District is required to have an audit when federal funds expended exceed \$500,000. For the year ended June 30, 2006, the District did not expend \$500,000 of federal funds, thus a single audit was not necessary.

C. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

D. Accumulated Sick Pay

The contracts for teachers and non-teaching personnel have various provisions for the accumulation of sick pay. Upon retirement or termination, if the employee has met certain contract provisions, the employee may receive a cash payment for the accumulated sick pay. At June 30, 2006, the liability to the employees for accumulated sick leave and related fringe benefits is estimated at \$18,855. It is reasonably possible that the estimated liability could change significantly due to non-vested teachers leaving the district or a higher or lower than normal use of employee sick leave.

E. Headlee Underfunding Settlement

The District received and accepted an offer from the State of Michigan to settle a lawsuit commonly known as the *Durant* case. This lawsuit related to the underfunding of state mandated special education services. The District will receive a total of \$91,341 as a result of this settlement as follows:

- 1. Fifty percent will be paid in ten annual installments of \$4,567 beginning in November, 1998 without interest.
- 2. The remaining fifty percent was paid in November, 1998 with bond proceeds from a Michigan Municipal Bond Authority bond program.

The ten year installment payments may be used only for textbooks, electronic instructions material, software, technology, infrastructure or infrastructure improvements, school buses, school security, technology training, or debt service payment on voter-approved bonds issued before November 19, 1997.

DETOUR, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

Money received through the Michigan Municipal Bond Authority bond program may be used only for purposes allowable under Section 1351a of the Revised School Code. Section 1351a allows payments relative to capital expenditures and improvements.

F. 2005 Refunding Bonds

On April 26, 2005, the District issued \$3,730,000 in General Obligation Bonds with interest rates of 3.00% to 5.50% to advance refund \$3,635,000 of outstanding 1999 Series Bonds with interest rates of 5.00% to 5.50%. As a result, \$3,635,000 of the 1999 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the non current liabilities of the District.

The District advance refunded a portion of the 1999 bond issue to reduce its total future debt service payments by \$304,323 and resulted in an economic gain of \$189,617.

G. Commitments

The District has no commitments for uncompleted construction contracts for the 1999 Capital Projects Fund.

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

YEAR ENDED JUNE 30, 2006

				ACTUAL	
		ODICINIAL	TINIAI		MOUNTS
		ORIGINAL	FINAL	BU	DGETARY
DEVENILIEC		BUDGET	BUDGET		BASIS
REVENUES		Φ 1 575 105	Φ 1 (22 07)	Ф	1 (01 060
Local Sources		\$ 1,575,195	\$ 1,623,076	\$	1,621,363
Intermediate Sources		21,138	0		0
State Sources		594,809	800,544		800,543
Federal Sources		106,689	134,625		137,186
Other Transactions		2,500	13,106		13,082
Total Revenues		2,300,331	2,571,351		2,572,174
<u>EXPENDITURES</u>					
Instruction					
Basic Programs		1,235,313	1,242,356		1,225,916
Added Needs		133,924	127,689		126,550
Supporting Services					
Pupil		6,162	6,296		4,654
Instructional Staff		70,226	73,410		63,836
General Administration		172,017	168,739		166,501
School Administration		185,272	163,834		161,611
Business		86,490	86,825		84,770
Operation and Maintenance of Plant		233,298	234,819		223,939
Pupil Transportation Services		305,852	299,981		299,913
Support Services Technology		52,065	46,497		42,721
Pupil Activity		6,820	6,070		5,968
Other Transactions		62,770	64,772		62,681
Total Expenditures		2,550,209	2,521,288		2,469,060
Excess (Deficiency) of Revenues					
Over (Under) Expenditures		(249,878)	50,063		103,114
OTHER FINANCING SOURCES (USES)					
Operating Transfers In		0	59,234		59,233
Operating Transfers Out		(152,293)	(158,195)		(157,391)
Total Other Financing Sources (Uses)		(152,293)	(98,961)		(98,158)
Net Change in Fund Balance		(402,171)	(48,898)		4,956
FUND BALANCE - Beginning of Year		464,939	516,814		516,814
FUND BALANCE - End of Year	23	\$ 62,768	\$ 467,916	\$	521,770

<u>DETOUR AREA SCHOOLS</u> <u>DETOUR, MICHIGAN</u>

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2006

	SPE	SPECIAL REVENUE FUNDS					
	FOOD	ATHLETIC		PUBLIC LIBRARY			
	SERVICE		VITIES				
<u>ASSETS</u>							
Cash	\$ 9,833	\$	540	\$	0		
Taxes Receivable	0		0		0		
Due from Other Governments	1,060		0		0		
Inventory	4,135		0		0		
TOTAL ASSETS	\$ 15,028	\$	540	\$	0		
LIABILITIES AND FUND BALANCES							
<u>LIABILITIES</u>							
Accounts Payable	\$ 11	\$	0	\$	0		
Due to Other Funds	5,138		0		0		
Total Liabilities	5,149		0		0		
FUND BALANCE							
Reserved for Inventory	4,135		0		0		
Reserved for Debt Retirement	0		0		0		
Unreserved, Designated For							
Athletic Activities	0		540		0		
Food Services	5,744		0		0		
Total Fund Balances	9,879		540		0		
TOTAL LIABILITIES							
AND FUND BALANCES	\$ 15,028	\$	540	\$	0		

	DEBT RETIREMENT FUND		CAPITAL PROJECTS FUND		NONMAJOR		
1	1999 DEBT 2005 DEBT		005 DEBT	1999 CAPITAL		GOVERNMENTAL	
RETIF	REMENT FUND	RETIR	EMENT FUND	PROJI	ECTS FUND	FUNDS	
					_		
\$	43,689	\$	90,167	\$	0	\$	144,229
	955		307		0		1,262
	0		0		0		1,060
	0		0		0		4,135
\$	44,644	\$	90,474	\$	0	\$	150,686
\$	0	\$	0	\$	0	\$	11
	0	'	0		0		5,138
	0		0		0		5,149
	0		0		0		4,135
	44,644		90,474		0		135,118
	0		0		0		540
	0		0		0		5,744
	44,644		90,474		0		145,537
\$	44,644	\$	90,474	\$	0	\$	150,686

TOTAL

<u>DETOUR AREA SCHOOLS</u> <u>DETOUR, MICHIGAN</u>

$\frac{\text{COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES}}{\text{NONMAJOR GOVERNMENTAL FUND TYPES}}$

YEAR ENDED JUNE 30, 2006

	SPEC	SPECIAL REVENUE FUNDS			
	FOOD	ATHLETIC	PUBLIC		
	SERVICE	ACTIVITIES	LIBRARY		
REVENUES					
Local Sources	\$ 65,330	\$ 20,962	\$ 2,752		
Intermediate Sources	0	0	12,235		
State Sources	9,948	0	1,816		
Federal Sources	49,805	0	0		
Total Revenues	125,083	20,962	16,803		
EXPENDITURES					
Capital Projects					
Capital Outlay	0	0	0		
Debt Service					
Principal	0	0	0		
Interest	0	0	0		
Other Transactions	0	0	0		
Food Service Activities	159,391	0	0		
Athletic Activities	0	69,983	0		
Community Services	0	0	32,766		
Total Expenditures	159,391	69,983	32,766		
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(34,308)	(49,021)	(15,963)		
OTHER FINANCING SOURCES (USES)					
Transfers In	35,557	48,871	15,963		
Transfers Out	0	0	0		
Total Other Financing Sources (Uses)	35,557	48,871	15,963		
Net Change in Fund Balance	1,249	(150)	0		
FUND BALANCE - Beginning of Year	8,630	690	0		
FUND BALANCE - End of Year	\$ 9,879	\$ 540	\$ 0		

DEBT RI			REMENT FUNDS 2005 DEBT		PROJE	APITAL CTS FUND 1999	TOTAL NONMAJOR GOVERNMENTAL		
RETIR	REMENT FUND	RETII	REMENT FUND	D	URANT	BON	D ISSUE		FUNDS
\$	243,979	\$	172,035	\$	0	\$	9	\$	505,067
	0		0		0		0		12,235
	0		0		3,207		0		14,971
	0		0		0		0		49,805
	243,979		172,035		3,207		9		582,078
	0		0		0		889		889
	200,000		20,000		0		0		220,000
	45,245		142,162		3,207	0			190,614
	1,718		577		0		0		2,295
	0		0		0		0		159,391
	0		0		0		0		69,983
	0		0		0		0		32,766
	246,963		162,739		3,207		889		675,938
	(2,984)		9,296		0		(880)		(93,860)
	0		80,915		0		0		181,306
	(80,915)		0		0		0		(80,915)
	(80,915)		80,915		0		0		100,391
	(83,899)		90,211		0		(880)		6,531
	128,543		263		0		880		139,006
\$	44,644	\$	90,474	\$	0	\$	0	\$	145,537

GENERAL FUND

COMPARATIVE BALANCE SHEET JUNE 30,

	2006	2005
<u>ASSETS</u>		
Cash	\$ 378,334	\$ 372,591
Taxes Receivable	8,014	5,292
Accounts Receivable	274	0
Due from Other Governments	139,804	135,174
Due from Other Funds	5,138	5,270
Investments	226,229	298,982
Prepaid Expenditures	85	295
TOTAL ASSETS	\$ 757,878	\$ 817,604
LIABILITIES AND FUND BALANCE		
<u>LIABILITIES</u>		
Accounts Payable	\$ 50,980	\$ 40,039
Accrued Expenses	33,443	82,080
Salaries Payable	151,085	150,669
Deferred Revenue	 600	28,002
Total Liabilities	236,108	300,790
FUND BALANCE		
Reserved for Prepaid Expenditures	85	295
Unreserved	0.5	273
Designated For		
Nature Area Study Center	13,211	13,100
Bus Purchase	50,000	50,000
Building Maintenance	95,000	95,000
Sick Days	19,604	20,811
Undesignated	343,870	337,608
Chacoighaica	 3 13,070	337,000
Total Fund Balance	 521,770	516,814
TOTAL LIABILITIES AND FUND BALANCE	\$ 757,878	\$ 817,604

GENERAL FUND

$\frac{\text{SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE}}{\text{BUDGET AND ACTUAL}}$

	20	2005	
	BUDGET	ACTUAL	ACTUAL
REVENUES			
Local Sources	\$ 1,623,076	\$ 1,621,363	\$ 1,511,192
State Sources	800,544	800,543	712,382
Federal Sources	134,625	137,186	234,198
Other Transactions	13,106	13,082	28,505
Total Revenues	2,571,351	2,572,174	2,486,277
EXPENDITURES			
Instruction			
Basic Programs			
Elementary	703,751	692,414	612,580
Middle School	160,776	158,180	191,366
High School	377,829	375,322	356,174
Added Needs			
Special Education	83,219	82,110	75,221
Compensatory Education	44,470	44,440	44,025
Supporting Services			
Pupil			
Guidance	4,850	4,503	4,114
Health Services	1,446	151	878
Instructional Staff			
Improvement of Instruction	40,036	33,540	136,683
Library	13,613	12,827	47,625
Educational Television	19,761	17,469	28,787
General Administration			
Board of Education	26,050	26,050	20,976
Executive Administration	142,689	140,451	143,752
School Administration			
Office of the Principal	163,834	161,611	168,125
Business			
Fiscal Services	61,906	61,543	57,630
Other Business Services	24,919	23,227	22,836
Operation and Maintenance of Plant	234,819	223,939	215,610
Pupil Transportation Services	299,981	299,913	220,143
Technology	46,497	42,721	0

GENERAL FUND

$\frac{\text{SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE}}{\text{BUDGET AND ACTUAL}}$

	20	2005	
	BUDGET	ACTUAL	ACTUAL
Pupil Activities	6,070	5,968	5,362
Other Transactions			
Transfers to Others	62,772	56,619	53,707
Adjustment to Prior Year Accounts	2,000	6,062	1,304
Total Expenditures	2,521,288	2,469,060	2,406,898
Excess of Revenues Over (Under) Expenditures	50,063	103,114	79,379
OTHER FINANCING SOURCES (USES)			
Transfers In			
Capital Projects	59,234	59,233	75,000
Transfers Out			
School Services Funds			
Food Service	(35,896)	(35,557)	(50,907)
Public Library	(16,152)	(15,963)	(18,985)
Athletic Activities	(49,147)	(48,871)	(52,350)
Capital Projects	(57,000)	(57,000)	(75,000)
Total Other Financing Sources (Uses)	(98,961)	(98,158)	(122,242)
Excess of Revenues and Other Sources Over			
(Under) Expenditures and Other Uses	(48,898)	4,956	(42,863)
FUND BALANCE - Beginning of Year	516,814	516,814	559,677
FUND BALANCE - End of Year	\$ 467,916	\$ 521,770	\$ 516,814

<u>DETOUR AREA SCHOOLS</u> <u>DETOUR, MICHIGAN</u>

<u>GENERAL FUND</u> ANALYSIS OF REVENUES - BUDGET AND ACTUAL

	20	2005	
	BUDGET	ACTUAL	ACTUAL
LOCAL SOURCES			
Property Tax Levy	\$ 1,575,676	\$ 1,575,669	\$ 1,469,163
Penalties and Interest on Delinquent Taxes	800	399	150
Earnings on Investments and Deposits	14,200	13,664	8,677
Other Local Revenues			
Rental of School Property	2,400	2,400	2,400
Miscellaneous	30,000	29,231	30,802
Total Local Sources	1,623,076	1,621,363	1,511,192
STATE SOURCES			
Grants in Aid Unrestricted			
State School Aid			
Foundation Allowance	569,752	569,752	480,023
Geographic Isolation	198,822	198,822	198,822
Grants in Aid Restricted			
State School Aid			
Special Education Foundation	31,970	31,969	31,465
Driver Education	0	0	2,072
Total State Sources	800,544	800,543	712,382
FEDERAL SOURCES			
Grants In Aid Restricted			
Title I	28,464	28,464	33,487
Title II Part A	11,017	11,017	11,617
Title II Part D	531	531	1,665
Title V	924	924	1,489
REAP	23,073	23,946	23,082
Freedom to Learn	8,000	8,000	104,500
Homeland Security Grant			1,048
Indian Education Grant	11,165	12,061	7,037

<u>DETOUR AREA SCHOOLS</u> <u>DETOUR, MICHIGAN</u>

<u>GENERAL FUND</u> ANALYSIS OF REVENUES - BUDGET AND ACTUAL

	20	2006	
	BUDGET	ACTUAL	ACTUAL
Payments in Lieu of Taxes			
National Forest	3,058	3,058	2,990
Transfers from Other School Districts			
Title VI	19,800	19,800	16,830
Drug Free Schools	1,638	1,761	2,266
21st Century Computer Learning Grant	26,955	27,624	22,193
Various Grants	0	0	5,994
Total Federal Sources	134,625	137,186	234,198
OTHER TRANSACTIONS			
Transfers from Other School Districts	12,906	12,957	28,505
Adjustment to Prior Year Accounts	200	125	0
Total Other Transactions	13,106	13,082	28,505
TOTAL REVENUES	2,571,351	2,572,174	2,486,277
OTHER FINANCING SOURCES			
Transfers In			
Capital Project Funds			
General Capital Projects	59,234	59,233	75,000
TOTAL REVENUES AND			
OTHER FINANCING SOURCES	\$ 2,630,585	\$ 2,631,407	\$ 2,561,277

<u>GENERAL FUND</u> <u>ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL</u>

	2	2005	
	BUDGET	ACTUAL	ACTUAL
INSTRUCTION			
Basic Programs			
Elementary			
Salaries	\$ 418,490	\$ 414,264	\$ 403,617
Employee Benefits	235,889	232,925	184,379
Purchased Services	7,942	7,883	6,659
Supplies and Materials	41,230	37,274	17,776
Capital Outlay	0	0	149
Other Expenses	200	68	0
-			
Total Elementary	703,751	692,414	612,580
Middle School			
Salaries	101,440	101,333	123,249
Employee Benefits	50,514	49,858	63,211
Purchased Services	1,500	1,500	1,620
Supplies and Materials	7,122	5,339	2,896
Capital Outlay	0	0	0
Other Expenses	200	150	390
Total Middle School	160,776	158,180	191,366
High School			
Salaries	239,265	239,264	229,324
Employee Benefits	117,637	117,562	104,419
Purchased Services	8,600	7,149	9,403
Supplies and Materials	9,597	8,961	10,290
Capital Outlay	0	0	1,662
Other Expenses	2,730	2,386	1,076
Total High School	377,829	375,322	356,174
Added Needs			
Special Education			
Salaries	55,083	55,012	48,261
Employee Benefits	24,016	22,980	25,725
Purchased Services	252	251	40
Supplies and Materials	3,868	3,867	1,195
Total Special Education	83,219	82,110	75,221

<u>GENERAL FUND</u> ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

	200	2005	
	BUDGET	ACTUAL	ACTUAL
Compensatory Education	24.652	24.651	21 047
Salaries	34,652	34,651	31,847
Employee Benefits	8,406	8,377	8,602
Purchased Services	214	214	200
Supplies and Materials	1,198	1,198	3,376
Total Compensatory Education	44,470	44,440	44,025
SUPPORTING SERVICES			
<u>Pupil</u>			
<u>Guidance</u>			
Purchased Services	4,600	4,287	3,983
Supplies and Materials	250	216	131
Total Guidance	4,850	4,503	4,114
Health Services			
	1,446	151	878
Other Expense	1,440	131	0/0
Instructional Staff			
Improvement of Instruction			
Salaries	9,479	9,478	9,973
Employee Benefits	1,529	1,528	2,047
Purchased Services	7,528	6,384	5,748
Supplies and Materials	21,500	16,150	118,915
Total Improvement of Instruction	40,036	33,540	136,683
Library			
Salaries	6,778	6,778	27,923
Employee Benefits	4,839	4,832	17,449
Purchased Services	0	0	879
Supplies and Materials	1,050	424	494
Other Expense	946	793	880
Guier Expense	710	175	
Total Library	13,613	12,827	47,625

<u>GENERAL FUND</u> ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

	200)6	2005
	BUDGET	ACTUAL	ACTUAL
Educational Television			
Purchased Services	14,161	13,651	15,649
Supplies and Materials	0	0	10,653
Other Expense	5,600	3,818	2,485
•		·	
	19,761	17,469	28,787
General Administration			
Board of Education			
Salaries	4,110	4,020	2,550
Purchased Services	19,237	20,098	16,022
Supplies and Materials	623	139	621
Other Expenses	2,080	1,793	1,783
Total Board of Education	26,050	26,050	20,976
Executive Administration			
Salaries	92,813	92,803	95,398
Employee Benefits	41,192	41,187	41,520
Purchased Services	5,084	4,716	4,772
Supplies and Materials	1,500	957	811
Capital Outlay	1,000	0	0
Other Expenses	1,100	788	1,251
Total Executive Administration	142,689	140,451	143,752
School Administration			
Office of the Principal			
Salaries	99,101	98,407	107,271
Employee Benefits	57,411	57,226	56,398
Purchased Services	1,606	863	1,255
Supplies and Materials	5,210	4,709	2,652
Other Expenses	506	406	549
Total Office of the Principal	163,834	161,611	168,125

<u>DETOUR AREA SCHOOLS</u> <u>DETOUR, MICHIGAN</u>

<u>GENERAL FUND</u> ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

	2006		2005
	BUDGET	ACTUAL	ACTUAL
Business			
Fiscal Services			
Salaries	32,375	32,375	31,567
Employee Benefits	24,766	24,763	21,608
Purchased Services	3,570	3,471	3,094
Supplies and Materials	1,000	789	1,216
Other Expenses	195	145	145
Total Fiscal Services	61,906	61,543	57,630
Other Business Services			
Purchased Services	22,269	22,269	22,115
Other Expenses	2,650	958	721
Total Other Business Services	24,919	23,227	22,836
Operation and Maintenance of Plant			
Salaries	35,608	35,569	33,400
Employee Benefits	22,885	22,883	17,503
Purchased Services	57,991	54,552	48,097
Supplies and Materials	113,875	107,609	103,110
Capital Outlay	2,250	1,250	11,555
Other Expenses	2,210	2,076	1,945
Total Operation and Maintenance of Plant	234,819	223,939	215,610
Pupil Transportation Services			
Salaries	112,799	112,795	112,365
Employee Benefits	69,874	69,870	54,489
Purchased Services	17,507	17,444	17,018
Supplies and Materials	41,738	41,741	36,247
Capital Outlay	57,293	57,293	0
Other Expenses	770	770	24
Total Pupil Transportation Services	299,981	299,913	220,143
Support Services Technology			
Salaries	20,959	20,958	0
Employee Benefits	15,738	15,736	0

<u>DETOUR AREA SCHOOLS</u> <u>DETOUR, MICHIGAN</u>

<u>GENERAL FUND</u> ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

	20	2005	
	BUDGET	ACTUAL	ACTUAL
Purchased Services	2,800	1,323	0
Supplies and Materials	2,800	2,789	0
Capital Outlay	4,000	1,915	0
Other Expenses	200	0	0
Total Support Services Technology	46,497	42,721	0
Pupil Activities			
Salaries	4,814	4,813	4,376
Employee Benefits	1,256	1,155	986
Total Pupil Activities	6,070	5,968	5,362
OTHER TRANSACTIONS			
<u>Transfers to Others</u>			
Special Education	43,050	37,924	24,537
Transportation	8,500	7,473	7,730
Tuition	11,222	11,222	11,440
Community Foundation Endowment	0	0	10,000
Total Transfers to Others	62,772	56,619	53,707
Adjustment to Prior Year Accounts	2,000	6,062	1,304
TOTAL EXPENDITURES	2,521,288	2,469,060	2,406,898
OTHER FINANCING USES			
Transfers Out			
School Service Funds			
Food Service	35,896	35,557	50,907
Public Library	16,152	15,963	18,985
Athletic Activities	49,147	48,871	52,350
Capital Project Funds			
General Capital Projects	57,000	57,000	75,000
Total Other Financing Uses	158,195	157,391	197,242
TOTAL EXPENDITURES AND			
OTHER FINANCING USES	\$ 2,679,483	\$ 2,626,451	\$ 2,604,140

FOOD SERVICE FUND

COMPARATIVE BALANCE SHEET JUNE 30,

	2006			2005		
<u>ASSETS</u>						
Cash	\$	9,833	\$	8,630		
Due from Other Governments		1,060		1,154		
Inventory		4,135		4,135		
TOTAL ASSETS	\$	15,028	\$	13,919		
<u>LIABILITIES</u>						
Accounts Payable	\$	11	\$	19		
Due to Other Funds		5,138		5,270		
Total Liabilities		5,149		5,289		
FUND BALANCE						
Reserved for Inventory		4,135		4,135		
Unreserved, Designated for Food Service		5,744		4,495		
Total Fund Balance		9,879		8,630		
TOTAL LIABILITIES AND FUND BALANCE	\$	15,028	\$	13,919		

FOOD SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

		2006				
	BUDGET	C ACTUAL	ACTUAL			
REVENUES						
Local Sources						
Food Sales to Pupils	\$ 30,00	07 \$ 30,394	\$ 23,977			
Food Sales to Adults	4,4	34 4,630	2,732			
Food Sales to Preschool	4,2	88 4,713	3,612			
Ala-Carte	13,89	91 13,896	12,504			
Other Food Sales	10,4	79 10,652	8,864			
Sales Tax	20	66 278	164			
Miscellaneous	7	13 767	69			
State Sources						
State Aid	9,3	79 9,948	12,520			
Federal Sources						
Federal Aid	44,1	14 45,287	39,532			
U.S.D.A. Donated Commodities	9,0	00 4,518	4,908			
Total Revenues	126,5	71 125,083	108,882			
EXPENDITURES						
Salaries						
Cooks and Assistants	38,9	07 40,171	39,012			
Employee Benefits						
Insurance	26,5	21 26,521	35,877			
Retirement	5,19	90 5,308	5,754			
FICA	2,9	76 2,532	2,948			
Worker's Compensation	9:	54 954	172			
Unemployment	20	00 187	0			
Purchased Services						
Repairs and Maintenance		0 364	0			
Laundry	50	68 744	728			
Travel and Expense	4:	59 401	435			
Supplies and Materials						
Food	68,3	16 67,873	66,587			
U.S.D.A. Donated Commodities	9,0	00 4,518	4,908			

FOOD SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

	2006					2005		
	BU	DGET	A	CTUAL	A	CTUAL		
U.S.D.A. Delivery Charges		0		55		61		
Office Supplies		0		110		771		
Other Supplies		8,282		8,282		5,862		
Other Expenses								
Sales Tax		217		278		122		
Dues and Fees		1,601		680		655		
Miscellaneous		43		413		350		
				_				
Total Expenditures		163,234		159,391		164,242		
Excess of Revenues Over (Under) Expenditures		(36,663)		(34,308)		(55,360)		
OTHER FINANCING SOURCES								
Transfers In - General Fund		35,896		35,557	50,907			
Excess of Revenues and Other Sources Over								
(Under) Expenditures and Other Uses		(767)		1,249		(4,453)		
FUND BALANCE - Beginning of Year		8,630		8,630		13,083		
FUND BALANCE - End of Year	\$	7,863	\$	9,879	\$	8,630		

ATHLETIC ACTIVITIES FUND

COMPARATIVE BALANCE SHEET JUNE 30,

	2	2005		
ASSETS Cash	\$	540	\$	690
LIABILITIES Accounts Payable	\$	0	\$	0
FUND BALANCE Unreserved Designated for Athletic Activities		540		690
TOTAL LIABILITIES AND FUND BALANCE	\$	540	\$	690

ATHLETIC ACTIVITIES FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

	20	2005	
	BUDGET	ACTUAL	ACTUAL
REVENUES			
Local Sources			
Admissions	\$ 12,476	\$ 12,476	\$ 12,568
Season Tickets	300	300	300
Tournaments	1,577	1,577	0
Fund Raisers and Donations	6,280	6,280	3,038
Miscellaneous	314	329	60
Total Revenues	20,947	20,962	15,966
EXPENDITURES			
Salaries			
Coaches	31,526	31,526	34,537
Athletic Director	4,921	4,921	4,872
Employee Benefits			
Insurance	4,188	3,915	0
Retirement	4,466	4,466	4,515
FICA	2,789	2,788	3,015
Unemployment	1,257	1,256	1,224
Purchased Services			
Officials	7,875	7,875	7,005
Insurance	0	0	4,417
Repairs and Maintenance	24	24	265
Travel and Expense	948	701	1,121
Freight	222	222	144
Administrative Expense	3,518	3,611	2,194
Supplies and Materials			
Athletic Supplies	1,810	1,809	1,086
Capital Outlay			
Equipment	504	504	583
Uniforms	0	0	480

ATHLETIC ACTIVITIES FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

		2006				2005
	BUDGET A			CTUAL	A	CTUAL
Other Expense						
Miscellaneous		687		687		524
Game Workers		2,610		2,610		1,585
Dues and Entry Fees		1,765		1,865		1,555
Tournament Expense		100		100		0
Awards and Trophies		1,080		1,103		28
Total Expenditures		70,290		69,983		69,150
Excess of Revenues Over (Under) Expenditures		(49,343)		(49,021)		(53,184)
OTHER FINANCING SOURCES						
Transfers In - General Fund		49,147		48,871		52,350
Excess of Revenues and Other Sources Over						
(Under) Expenditures and Other Uses		(196)		(150)		(834)
FUND BALANCE - Beginning of Year		468		690		1,524
FUND BALANCE - End of Year	\$	272	\$	540	\$	690

PUBLIC LIBRARY FUND

COMPARATIVE BALANCE SHEET JUNE 30,

AGGERRG	2006			2005	
ASSETS Cash		0	\$	0	
<u>LIABILITIES</u> FUND BALANCE	\$	0	\$	0	
Unreserved Designated for Public Library		0		0	
TOTAL LIABILITIES AND FUND BALANCE	\$	0	\$	0	

PUBLIC LIBRARY FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

	2006					2005
	В	BUDGET		ACTUAL		CTUAL
REVENUES				_		_
Local Sources						
Miscellaneous Revenue	\$	2,982	\$	2,752	\$	0
Intermediate Sources						
Penal Fines		12,236		12,235		11,138
State Sources						
Grants in Aid Restricted						
Library Grant		1,816		1,816		2,117
Total Revenues		17,034		16,803		13,255
EXPENDITURES						
Community Services						
Public Library						
Salaries		21,030		19,926		20,882
Employee Benefits		13,650		12,840		11,358
Miscellaneous - Fees		950		0		0
Total Expenditures		35,630		32,766		32,240
Excess of Revenues Over						
(Under) Expenditures		(18,596)		(15,963)		(18,985)
OTHER FINANCING SOURCES						
Transfers In - General Fund		18,596		15,963		18,985
FUND BALANCE - Beginning of Year		0		0		0
FUND BALANCE - End of Year	\$	0	\$	0	\$	0

DEBT RETIREMENT FUNDS

COMBINING BALANCE SHEET JUNE 30, 2006 WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	BOND ISSUE OF							
		1999 2005		2005	2006			2005
<u>ASSETS</u>								
Cash	\$	43,689	\$	90,167	\$	133,856	\$	128,045
Taxes Receivable		955		307		1,262		899
TOTAL ASSETS	\$	44,644	\$	90,474	\$	135,118	\$	128,944
LIABILITIES Accounts Payable	\$	0	\$	0	\$	0	\$	138
FUND BALANCE								
Reserved for Debt Retirement		44,644		90,474		135,118		128,806
TOTAL LIABILITIES AND FUND BALANCE	\$	44,644	\$	90,474	\$	135,118	\$	128,944

DEBT RETIREMENT FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

JUNE 30, 2006 WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	BOND IS	SSUE OF		TO	ΓALS
	1999	2005	DURANT	2006	2005
REVENUES					_
Local Sources					
Property Tax Levy	\$242,839	\$171,510	\$ 0	\$414,349	\$ 481,293
Penalties and Interest on Delinquent Taxes	38	13	0	51	894
Earnings on Investments and Deposits	1,102	512	0	1,614	2,732
State Sources					
Durant Settlement - Debt Service	0	0	3,207	3,207	0
Total Revenues	243,979	172,035	3,207	419,221	484,919
EXPENDITURES					
Redemption of Serial Bonds	200,000	20,000	0	220,000	185,000
Interest on Debt	45,245	142,162	3,207	190,614	248,010
Bond Issuance Costs	0	0	0	0	66,787
Taxes Abated and Written off	207	0	0	207	180
Fees	1,511	577	0	2,088	336
Total Expenditures	246,963	162,739	3,207	412,909	500,313
Excess of Revenues Over					
(Under) Expenditures	(2,984)	9,296	0	6,312	(15,394)
OTHER FINANCING SOURCES (USES)					
Transfer In (Out)	(80,915)	80,915	0	0	0
Debt Issuance	0	00,713	0	0	3,730,000
Bond Premium	0	0	0	0	26,131
Payment to Bond Refunding Escrow Agent	0	0	0	0	(3,826,700)
Total Other Financing Sources (Uses)	(80,915)	80,915	0	0	(70,569)
Total Other Financing Sources (Uses)	(80,913)	80,913			(70,309)
Excess of Revenues and					
Other Sources Over (Under)					
Expenditures and Other Uses	(83,899)	90,211	0	6,312	(85,963)
FUND BALANCE-Beginning of Year	128,543	263	0	128,806	214,769
FUND BALANCE-End of Year	\$ 44,644	\$ 90,474	\$ 0	\$135,118	\$ 128,806

CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET JUNE 30, 2006 WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	G	GENERAL		999				
	C	APITAL	BOND		TOTALS			•
	PF	ROJECTS	IS	SUE		2006		2005
<u>ASSETS</u>								
Cash	\$	0	\$	0	\$	0	\$	880
Investments		101,803		0		101,803		100,842
TOTAL ASSETS	\$	101,803	\$	0	\$	101,803	\$	101,722
LIABILITIES								
Accounts Payable	\$	0	\$	0	\$	0	\$	0
FUND BALANCE Unreserved								
Undesignated		101,803		0		101,803		101,722
TOTAL LIABILITIES AND								
FUND BALANCE	\$	101,803	\$	0	\$	101,803	\$	101,722

CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2006 WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	GENERAL CAPITAL	1999 BOND	ТОТ	ALS
	PROJECTS	ISSUE	2006	2005
REVENUES				
Local Sources				
Earnings on Investments				
and Deposits	\$ 3,194	\$ 9	\$ 3,203	\$ 1,035
Total Local Sources	3,194	9	3,203	1,035
EXPENDITURES				
Capital Outlay				
Professional Services	0	889	889	600
Building and Improvements	0	0	0	22,401
Technology	0	0	0	3,590
Equipment & Furniture	0	0	0	4,194
Total Expenditures	0	889	889	30,785
Excess of Revenues Over				
(Under) Expenditures	3,194	(880)	2,314	(29,750)
OTHER FINANCING SOURCES (USES)				
Transfer In	57,000	0	57,000	75,000
Transfer Out	(59,233)	0	(59,233)	(75,000)
Total Other Financing Sources (Uses)	(2,233)	0	(2,233)	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	961	(880)	81	(29,750)
•		` ,		,
FUND BALANCE-Beginning of Year	100,842	880	101,722	131,472
FUND BALANCE-End of Year	\$ 101,803	\$ 0	\$ 101,803	\$ 101,722

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE YEAR ENDED JUNE 30, 2006

	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE	
	7/01/05	(INCLUD	ING TRANSFERS)	6/30/06	
Alumni Fund	\$ 0	\$ 0	\$ 0	\$ 0	
Bookstore	2,071	580	582	2,069	
General	0	9,246	8,896	350	
Class of 2000	186	0	186	0	
Class of 2001	136	0	136	0	
Class of 2004	32	0	32	0	
Class of 2005	1	0	1	0	
Class of 2006	1,079	5,178	5,911	346	
Class of 2007	1,252	235	684	803	
Class of 2008	0	1,140	650	490	
Concerned Citizens for Education	2,228	0	0	2,228	
Music	663	960	1,292	331	
Student Council	55	227	171	111	
Football Camp	0	0	0	0	
Library Club	2,190	1,636	504	3,322	
Girls Basketball	3,826	2,349	4,724	1,451	
Fundamental B.B. Camp	73	550	0	623	
Shawn Brasseur Memorial	145	0	0	145	
Boys Basketball	366	0	0	366	
Beverly Fireck	200	200	200	200	
Bobby-O-Classic	1,372	0	0	1,372	
Rock Tournament	17,407	26,560	30,879	13,088	
Ann Marie Murdick- Montie					
Scholarship Savings	37	1	0	38	
Memorial Scholarship Savings	61	0	0	61	
Bobby Glasser	400	400	400	400	
DeTour Elementary	1,664	8,901	7,226	3,339	
DeTour High School	441	17,048	17,533	(44)	
Drama	550	0	0	550	
Raider Reader	495	0	0	495	
Drummond Elementary	1	0	0	1	
Yearbook	1,002	3,796	3,312	1,486	
Honor Society	1,466	2,883	3,907	442	
Shop Course Fees & Supplies	(3,745)	1,333	1,077	(3,489)	
Shop Donations	166	0	0	166	

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE YEAR ENDED JUNE 30, 2006

	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE	
	7/01/05	(INCLUD	(INCLUDING TRANSFERS)		
Varsity Club	7,735	18,003	21,363	4,375	
Volleyball	696	570	798	468	
Greenfield Village	164	2	0	166	
DeTour Athletic Boosters	80	0	0	80	
Friends of the Library	3,139	4,862	5,610	2,391	
Elementary Student Council	136	0	0	136	
JV Girls Basketball	0	1,201	850	351	
JV Boys Basketball	55	536	450	141	
FCCLA	401	620	620	401	
CAPERS	1,592	961	861	1,692	
Golf	309	1,400	409	1,300	
Pop-Administrative	3,097	1,229	2,717	1,609	
Welding	1,550	2,400	1,290	2,660	
Interest-Certificate of Deposit	6,855	556	0	7,411	
	\$ 61,629	\$ 115,563	\$ 123,271	\$ 53,921	
Represented by					
Assets					
Cash	\$ 55,205	=		\$ 53,921	
Liabilities					
Due to Groups and					
Organizations	\$ 55,205	=		\$ 53,921	

SCHEDULE OF 2005 TAX ROLL YEAR ENDED JUNE 30, 2006

		TAXABLE TAXES VALUATION ASSESSED		TAXES COLLECTED		RE	TAXES TURNED INQUENT	
GENERAL FUND (18.00 MILLS)								
CHIPPEWA COUNTY								
DETOUR	\$	21,752,845	\$	391,551	\$	359,923	\$	31,628
DRUMMOND		57,132,376		1,028,383		908,303		120,080
RABER		8,651,966		155,735		128,792		26,943
Totals	\$	87,537,187	\$	1,575,669	\$	1,397,018	\$	178,651
DEBT RETIREMENT FUNDS (2.8900) MI	<u>LLS)</u>						
CHIPPEWA COUNTY								
DETOUR	\$	39,642,718	\$	114,567	\$	105,431	\$	9,136
DRUMMOND		87,575,132		253,092		226,689		26,403
RABER		15,403,200		44,515		39,445		5,070
Totals	\$	142,621,050	\$	412,174	\$	371,565	\$	40,609

COMPARATIVE SCHEDULE OF INVESTMENTS JUNE 30,

		2006	2005			
	RATE	AMOUNT	RATE	AMOUNT		
GENERAL FUND Michigan School District Liquid Asset Fund Plus	3.11%	\$ 226,229	2.63%	\$ 298,982		
CAPITAL PROJECTS FUND Michigan School District Liquid Asset Fund Plus	3.11%	\$ 101,803	2.63%	\$ 100,842		

SCHEDULE OF BONDS PAYABLE - 1999 BOND ISSUE JUNE 30, 2006

TITLE OF ISSUE 1999 School Improvement Bonds

<u>PURPOSE</u>

The Bonds were authorized at an election on September 27, 1999, for the purpose of erecting, furnishing and equipping additions to and partially remodeling, refurnishing and re-equipping DeTour Schools and Drummond Island Elementary School; acquiring, installing and equipping the schools for technology; and developing and improving the sites.

DATE OF ISSUE November 1, 1999

AMOUNT OF ISSUE \$ 5,270,000

AMOUNT REDEEMED

 Prior to Current Year
 \$ 4,405,000

 During Current Year
 200,000
 4,605,000

BALANCE OUTSTANDING - June 30, 2006 \$ 665,000

	INTEREST		REQUIREMENTS					
<u>DUE DATES</u>	RATES	7	ΓΟΤΑL	INTEREST		TAL INTEREST PR		INCIPAL
November 1, 2006		\$	17,622	\$	17,622			
May 1, 2007	5.00 %		227,622		17,622	\$	210,000	
November 1, 2007			12,058		12,058			
May 1, 2008	5.30 %		232,058		12,058		220,000	
November 1, 2008			6,227		6,227			
May 1, 2009	5.30 %		241,227		6,227		235,000	
		\$	736,814	\$	71,814	\$	665,000	

DENOMINATIONS

\$5,000 or any integral multiple up to the amount of a Single Maturity.

SCHEDULE OF BONDS PAYABLE - 1999 BOND ISSUE JUNE 30, 2006

REDEMPTION PRIOR TO MATURITY

Bonds of this issue maturing in the years 2000 through 2009, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of Bonds in multiples of \$5,000 of this issue maturing in the years 2010 through final maturity, shall be subject to redemption prior to maturity, at the option of the School District, in such order as the School District may determine and by lot within any maturity, on any interest payment date on or after May 1, 2009, at par and accrued interest to the date fixed for redemption.

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith, credit and ad valorem taxes, which may be levied without limitation as to rate or amount as provided by Article IX, Section 6, and Article IX, Section 16, of the Michigan Constitution of 1963.

SCHEDULE OF BONDS PAYABLE - 2005 REFUNDING BOND ISSUE JUNE 30, 2006

TITLE OF ISSUE	2005 Refunding Bonds

<u>PURPOSE</u> The Bonds were issued for the purpose of refunding a

portion of the 1999 School Improvement Bonds.

20,000

DATE OF ISSUE April 26, 2005

AMOUNT OF ISSUE \$ 3,730,000

AMOUNT REDEEMED

Prior to Current Year \$ 0
During Current Year 20,000

BALANCE OUTSTANDING - June 30, 2006 \$ 3,710,000

	INTEREST	REQUIREMENTS					
<u>DUE DATES</u>	RATES	Г	TOTAL	IN	TEREST	PRINCIPA	
November 1, 2006		\$	73,021	\$	73,021		
May 1, 2007	3.00 %		93,021		73,021	\$	20,000
November 1, 2007			72,721		72,721		
May 1, 2008	3.25 %		97,721		72,721		25,000
November 1, 2008			72,315		72,315		
May 1, 2009	3.25 %		97,315		72,315		25,000
November 1, 2009			71,909		71,909		
May 1, 2010	3.75 %		341,909		71,909		270,000
November 1, 2010			66,846		66,846		
May 1, 2011	3.75 %		346,846		66,846		280,000
November 1, 2011			61,596		61,596		
May 1, 2012	4.00 %		351,596		61,596		290,000
November 1, 2012			55,796		55,796		
May 1, 2013	4.00 %		360,796		55,796		305,000
November 1, 2013			49,696		49,696		
May 1, 2014	4.00 %		364,696		49,696		315,000

SCHEDULE OF BONDS PAYABLE - 2005 REFUNDING BOND ISSUE JUNE 30, 2006

	INTEREST	REQUIREMENTS				
<u>DUE DATES</u>	RATES	TOTAL	INTEREST	PRINCIPAL		
November 1, 2014		43,397	43,397	_		
May 1, 2015	5.30 %	373,397	43,397	330,000		
November 1, 2015		37,126	37,126			
May 1, 2016	5.30 %	377,126	37,126	340,000		
November 1, 2016		30,496	30,496			
May 1, 2017	5.30 %	385,496	30,496	355,000		
November 1, 2017		23,396	23,396			
May 1, 2018	5.30 %	393,396	23,396	370,000		
November 1, 2018		15,996	15,996			
May 1, 2019	5.30 %	400,996	15,996	385,000		
November 1, 2019		8,200	8,200			
May 1, 2020	5.50 %	408,200	8,200	400,000		
		\$ 5,075,022	\$ 1,365,022	\$ 3,710,000		

DENOMINATIONS

\$5,000 or any integral multiple up to the amount of a Single Maturity.

REDEMPTION PRIOR TO MATURITY

Bonds of this issue maturing in the years 2006 through 2014, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of Bonds in multiples of \$5,000 of this issue maturing in the years 2015 through final maturity, shall be sub

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith, credit and ad valorem taxes, which may be levied without limitation as to rate or amount as provided by Article IX, Section 6, and Article IX, Section 16, of the Michigan Constitution of 1963.

<u>SCHEDULE OF BONDS PAYABLE - 1998 DURANT SETTLEMENT</u> <u>JUNE 30, 2006</u>

TITLE OF ISSUE	1998 School Improvement Bond							
<u>PURPOSE</u>	The bonds were issued for improvements to site, school buses, equipment, building improvement, remodeling of existing facilities and other section 1351a of Act 451 purposes.							
DATE OF ISSUE	November 15, 1998							
AVERAGE INTEREST RATE	3.850%							
INTEREST AND PRINCIPAL PAYABLE	May 15	of each year	•					
AMOUNT OF ISSUE					\$	45,670		
AMOUNT REDEEMED Prior to Current Year During Current Year			\$	16,492 0		16,492		
BALANCE OUTSTANDING - June 30, 2006					\$	29,178		
			REQU	IREMENTS	S			
<u>DUE DATES</u>		TOTAL	IN'	TEREST	PR	INCIPAL		
May 15, 2007 May 15, 2008 May 15, 2009 May 15, 2010 May 15, 2011 May 15, 2012 May 15, 2013	\$	3,207 15,135 3,207 3,207 3,207 3,207 3,207	\$	2,409 1,092 552 450 344 233 119	\$	798 14,043 2,655 2,757 2,863 2,974 3,088		
	<i>t</i> -		ф	7 400		•0.4=0		

34,377

\$

5,199

29,178

$\frac{\text{SCHEDULE OF BONDS PAYABLE - 1998 DURANT SETTLEMENT}}{\text{JUNE 30, 2006}}$

REDEMPTION PRIOR TO MATURITY

There is no provision for early redemption.

TAX LEVY/STATE AID

The revenues to retire the Durant Settlement Bonds is to come from yearly transfers of state aid from the State of Michigan, thus, no property taxes are levied for these payments.

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 231-775-9789 FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A. 1902 - 1990 JACK H. BAIRD, C.P.A. JERRY L. COTTER, C.P.A. DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A. ROBERT V. BEATTIE, C.P.A.

DOUGLAS P. McMULLEN, C.P.A.

MICHAEL D. COOL, C.P.A.

JOHN F. TAYLOR, C.P.A. STEVEN C. ARENDS, C.P.A. SCOTT A. HUNTER., C.P.A. JONATHAN E. DAMHOF, C.P.A.

Baird, Cotter and Bishop, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

August 1, 2006

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education DeTour Area Schools DeTour, Michigan

We have audited the financial statements of the DeTour Area Schools, DeTour, Michigan, as of and for the year ended June 30, 2006, and have issued our report thereon dated August 1, 2006. In our report dated August 1, 2006, our opinion was unqualified. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether DeTour Area Schools, DeTour, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered DeTour Area Schools, DeTour, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect DeTour Area Schools' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described as follows:

(a) The relatively small number of people involved in the accounting functions of the District make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Board to establish a larger accounting staff in order to implement proper segregation of duties.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable condition described above, we do not consider item (a) to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of the DeTour Area Schools in a separate letter dated August 1, 2006.

This report is intended for the information of the Board of Education, management, the Michigan Department of Education and other regulatory bodies. However, this report is a matter of public record, and its distribution is not limited.

Bairol, Cottle & Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

August 1, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Education DeTour Area Schools DeTour, Michigan

Dear Members of the Board:

As a result of our audit of the financial statements of the DeTour Area Schools for the year ended June 30, 2006, we would like to take this opportunity to comment on the following items relative to the management and accounting records and procedures of the School District:

Internal Controls

The management of DeTour Area Schools, DeTour, Michigan, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles in the United States. Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The limited number of employees available to handle cash and account for transactions makes it unfeasible to have an adequate separation of duties. This condition results in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements of the DeTour Area Schools, DeTour, Michigan, may occur and not be detected within a timely period.

We recommend the Board remain aware of this situation and periodically evaluate the cost vs. benefit of adding additional staff to correct this internal control limitation, as well as understanding the important role the board plays in the internal control structure.

Financial Information Database (FID)

The State of Michigan's Financial Information Database (FID) System has replaced the Form B report by requiring District's to submit their financial information electronically to the State using the State's new Chart of Accounts. The school is responsible for ensuring its' compliance with the State's new Chart of Accounts. The State has indicated it will accept FID transmittals using the State Chart through Change Notice Number 12 or 13 (School's choice).

Condition of Accounting Records

The accounting records were found to be in excellent condition. We would like to congratulate the accounting personnel for doing a good job and thank them for their efforts in accumulating the information needed for the audit.

We wish to take this opportunity to thank the Board for again awarding this firm the audit assignment of the District, and the administration and staff for their cooperative spirit and assistance in helping us fulfill this audit assignment. If you have any questions relative to the above comments and recommendations or other areas of your annual audit, please feel free to contact us.

BAIRD, COTTER AND BISHOP, P.C.

Bairol, Cotte & Bishop, P.C.